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ABSTRACT

This report presents information on the characteristics, fees, and revenue sources of the formal child care providers used by the four community-based organizations that operated programs in the Minority Female Single Parent demonstration programs initiated by the Rockefeller Foundation in 1982. The demonstration provided funding to selected community-based organizations to operate employment and training programs for minority single mothers. Programs were operated by the Atlanta Urban League in Atlanta, Georgia; the Center for Employment Training in San Jose, California; Opportunities Industrialization Center of Rhode Island in Providence; and Wider Opportunities for Women in Washington, D.C. The descriptive information presented in this report was collected from 151 child care providers to whom the four community-based organizations referred participating mothers who wanted to obtain formal child care. Particular attention was given to those providers that served preschool children and were open a sufficient number of hours each week to meet the child care needs of employed single mothers. Following an executive summary, sections of the report offer an introduction and overview, discuss the sample of child care providers, and report child care availability and characteristics, fees, and revenues. An appendix provides background information about sample selection. (RH)

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The Minority Female Single Parent Demonstration: Child Care Referral Options



Sharon Handwerger
Margaret Strain
Craig Thornton

A Technical Research Report. From 1982 to 1988, the Rockefeller Foundation provided funding for selected community-based organizations to operate employment-training programs for minority female single parents. This report presents information on the characteristics, fees, and revenue sources of the child care providers to which demonstration projects referred participants.

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The *Into the Working World* series provides reports on Rockefeller Foundation projects undertaken to identify practical routes to move families out of poverty and toward full participation in American life. Reports in the series present the findings from and the implications of the Foundation's Minority Female Single Parent demonstration. Phoebe H. Cottingham, Associate Director of the Equal Opportunity Program at the Foundation, is the project director.

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**The Minority Female Single Parent Demonstration:
Child Care Referral Options**

A Technical Research Report

Sharon Handwerger
Margaret Strain
Craig Thornton

Prepared by
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under contract to
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February 1989

The authors would like to express their appreciation to the 151 child care providers who provided the basic information for this report. We also benefited from the helpful advice and comments of John Burghardt, Rebecca Maynard, and Phoebe Cottingham.

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Executive summary

This report presents information on the characteristics, fees, and revenue sources of the formal child-care providers used by the four community-based organizations that operated programs in the Minority Female Single Parent (MFSP) demonstration. This demonstration, which was initiated by the Rockefeller Foundation in 1982, provided funding to selected community-based organizations to operate employment and training programs for minority single mothers. These demonstration programs offered women an array of remedial education, vocational skill training, counseling, child care, and other support services to help them attain stable employment in jobs that pay adequate wages. In order to assess the effectiveness of this programmatic concept and to bring attention to the plight of many minority single mothers, the Foundation funded a comprehensive evaluation of four of the demonstration programs, one component of which is the child care analysis presented in this report. These four programs were operated by the Atlanta Urban League in Atlanta, Georgia, the Center for Employment Training in San Jose, California, Opportunities Industrialization Center of Rhode Island in Providence, and Wider Opportunities for Women in Washington, D.C.

The descriptive information presented herein was collected from child-care providers in a telephone survey conducted in September 1987. The survey covered a selected group of 151 providers that represent those to which the four community-based organizations referred participating mothers who wanted to obtain formal child care. This group of providers, which includes both day care centers and licensed family day care providers, is likely to represent the network of providers known to typical community-service agencies that provide education and training services; thus, the sample has some applicability beyond the demonstration.

In addition to selecting providers in the networks used in the demonstration, we focused on those providers that served preschool children and were open a sufficient number of hours each week to meet the child-care needs of single mothers who work. Specifically, we focused on providers that:

- *Served children younger than 6 years of age*
- *Were open at least five hours a day*
- *Were open at least nine months a year*
- *Served a group of children at least half of whom were nonhandicapped*
- *Were nonresidential*

This group of providers represents those that provide the type of care that is consistent with the overall goals of the MFSP demonstration. That is, the providers would be able to provide enough child care to enable single mothers to pursue the education, training, and work necessary to effect a substantial improvement in their economic and social well-being.

The key findings of our examination are as follows:

- *The providers in the sample would be able to provide enough care to enable single mothers to pursue full-time employment—providers were open for an average of 11 hours per day, 49 weeks a year.*
- *The basic fees at both day care centers and family day care providers averaged \$57 per week for preschool children. The basic fees for younger children (younger than 3 years of age) averaged \$65 per week at centers and \$60 per week at family day care providers.*
- *The majority of both day care centers and family providers provided discounts to their basic weekly fees.*
- *The average revenue per child week was \$65 for centers and \$66 for family providers.*
- *Centers obtained a substantial proportion (an average of 40 percent) of their revenue from sources other than parental fees. In comparison, family day care providers received virtually all of their revenues from parental fees.*
- *The types of care provided by centers and family providers differed in ways that reflected the more informal nature of the family providers: the family day care providers in our sample exhibited lower overall child to staff ratios, had lower enrollments, served more infants, and were more likely to have isolation space for sick children, while the centers were larger and were more likely to offer formal educational and developmental programs.*

1 Introduction and overview

The need for safe, reliable, and affordable child care is one of the most striking obstacles facing single mothers who seek to enter and become successful in the labor market. Consequently, the debate about welfare reform and other efforts to help single mothers and their families improve their economic situation has generated tremendous interest in child care.

One area of particular concern is the cost of child care, not only because child care must be affordable to the mothers who seek to enter the labor force, but also because child-care services represent an important and expensive component of programs designed to enable single mothers to do so. (For example, the ET Choices program, an education and training program for welfare recipients in Massachusetts, anticipates spending 40 to 60 percent of its annual budget on providing child-care services to participants.) The substantial child-care expenditures incurred by such programs have fostered an interest in a wide range of cost issues, particularly those that pertain to the fees charged by child-care providers, the extent to which discounts to those fees are available, and the extent to which child-care providers cover their costs with revenue from sources other than the fees paid by parents.

This paper, which is one component of an evaluation of the Minority Female Single Parent (MFSP) demonstration, presents information on these specific cost issues. In particular, it examines the characteristics, fees, and revenue sources of the child-care providers used by the four community-based organizations that offered demonstration services. This descriptive information supplements the larger impact and benefit-cost analyses that will assess the overall effectiveness of the demonstration services. The information presented herein on the availability of child care and the magnitude of fees will be used in the impact analysis to help interpret the estimates of the impacts of the demonstration programs. In particular, the information on the average level of fees will be compared with the estimated earnings potential of the single mothers who entered the demonstration in order to assess their ability to afford formal day care if they take a job beyond the demonstration setting. The information on revenue sources will be used in the benefit-cost analysis to estimate the total costs of the formal child care used by the single mothers. This cost estimation is necessary because the child-care expenditures reported by the mothers capture only part of the cost of care, since providers receive a substantial proportion of their revenue from sources other than parental fees. The information on revenue sources may also be useful for budgeting welfare-reform programs that include child care as part of their overall service package.

The MFSP demonstration was undertaken by the Rockefeller Foundation to bring national attention to the plight of the growing number of minority families maintained by poor single mothers. As part of the demonstration, the Foundation funded four community-based organizations (CBOs) to operate education and training programs for minority single mothers:

- *The Atlanta Urban League (AUL) in Atlanta, Georgia*
- *The Center for Employment Training (CET) in San Jose, California¹*
- *Opportunities Industrialization Center (OIC) of Rhode Island in Providence*
- *Wider Opportunities for Women (WOW) in Washington, D.C.*

These four projects enrolled over 4,200 women between the initiation of services in 1981 and the end of demonstration funding in 1988.

The demonstration programs offered a comprehensive set of services—outreach, assessment, education, skills training, counseling, and child-care services—in an effort to help the participating women improve their economic and social conditions and those of their children. The specific child-care services that were offered included instruction to help the women become better consumers of child care, assistance to enable the women to find appropriate care, and subsidies to help defray the costs of child care. The emphasis placed on child care was deemed necessary to enable the single mothers to participate fully in the education and skills training offered under the demonstration. Furthermore, child-care counseling was expected to help mothers develop the decisionmaking skills and confidence critical to their ultimate success in the labor market. The strong emphasis placed on child-care services is reflected in the substantial proportion (approximately 18 percent) of the overall costs of the demonstration services that were allocated to child care.

Our examination of child-care costs in the demonstration is based on data collected from a very specialized sample. The set of providers examined in this report represent those to which the CBOs referred participating mothers who wanted to obtain formal child care. Specifically, we selected 151 providers from the lists of child-care providers that were known to the CBOs or were known to the child-care referral agencies that worked with the demonstration CBOs. This sample, which includes both day care centers and licensed family day care providers, is likely to represent the network of providers generally known to community-service agencies and organizations that provide education and training services; thus, it has some applicability beyond the demonstration.

¹ The demonstration project operated by CET served minority single mothers in San Jose, Watsonville, Salinas, and Gilroy, California. During the last year of the demonstration, this project also served single mothers in Oakland, California.

In addition to selecting providers in the networks used by the CBOs, we focused on those providers that served preschool children and were open a sufficient number of hours each week to meet the child-care needs of single mothers who work. Specifically, we focused on providers that—

- Served children younger than 6 years of age
- Were open at least five hours a day
- Were open at least nine months a year
- Served a group of children at least half of whom were nonhandicapped
- Were nonresidential

This group of providers represents those that provide the type of care that is consistent with the overall goals of the MFSP demonstration. That is, the providers would be able to provide enough child care to enable single mothers to pursue the education, training, and work necessary to effect a substantial improvement in their economic and social well-being.

The key findings of our examination are as follows:

- The providers in the sample would be able to provide enough care to enable single mothers to pursue full-time employment—providers were open for an average of 11 hours per day, 49 weeks a year.
- The basic fees at both day care centers and family day care providers averaged \$57 per week for preschool children. The basic fees for younger children (younger than 3 years of age) averaged \$65 per week at centers and \$60 per week at family day care providers.
- The majority of both day care centers and family providers provided discounts to their basic weekly fees.
- The average revenue per child week was \$65 for centers and \$66 for family providers.
- Centers obtained a substantial proportion (an average of 40 percent) of their revenue from sources other than parental fees. In comparison, family day care providers received virtually all their revenues from parental fees.
- The types of care provided by centers and family providers differed in ways that reflected the more informal nature of the family providers: family day care providers in our sample exhibited lower overall child to staff ratios, had lower enrollments, served more infants, and were more likely to have isolation space for sick children, while the centers were larger and were more likely to offer formal educational and developmental programs.

For the most part, the small number of providers included in this study did not enable us to draw clear inferences about differences among the four communities in which the demonstration operated. However, the set of providers selected from Atlanta appear to have differed from those at the other sites along a number of dimensions. Specifically, the characteristics of providers in Atlanta were consistent with greater availability and greater competition in the child-care market: center care appears to have been more available; average enrollments were smaller; a greater number of providers accepted children younger than age 3; a greater number reported the availability of space; fewer turned children away; care was available for more weeks with longer hours; a greater number offered educational programs; and costs, weekly fees, annual receipts, and revenues per child-week were all lower, while child-staff ratios were higher.

Our findings are broadly consistent with those found in a survey of 621 child-care providers in three urban areas served by the Teenage Parent Demonstration (Kisker et al., 1989). That survey also found that full-day full-year child care was generally available, and that the median weekly cost of care was approximately \$50. Furthermore, the authors found that centers frequently reduced their fees for the children of low-income families. This survey also collected detailed information about the demand for care by women participating in government training programs, informal unpaid care, the quality and stability of the care provided, common operating problems of child-care providers, and the extent of unmet demand for child care.

Similarly, the \$65 per child-week average revenue estimate obtained in our study is consistent with, although slightly lower than, the costs estimated by the General Accounting Office (1989) for high-quality child care. The GAO estimated that, in fiscal year 1988, annual costs for child care that met the standards of the National Association for the Education of Young Children (NAEYC) were \$4,070 (excluding the value of donated goods and services).¹ These centers operated on a full-time, full-year basis, suggesting that the weekly cost was approximately \$80 (\$4,070 divided by 52), or approximately 20 percent greater than the estimated weekly cost estimated for our sample. This difference reflects several factors, including (1) the exclusive focus of the GAO survey on high-quality centers, (2) different cost levels between our estimates for the four MFSP sites and the more national GAO estimates, (3) the slight difference in the time periods for the surveys (since our estimates refer to calendar year 1987, while the GAO estimates are for fiscal year 1988), and (4) the general sampling variance associated with both surveys, which used relatively small samples (our survey included 151 providers; the GAO survey

¹ The annual cost would be \$4,660 if the value of donated goods and services were included. No estimate was made for the value of donated goods for the providers included in our sample. However, the available qualitative evidence suggests that such costs are no larger proportionately in our sample of providers than in the providers surveyed by GAO, and in fact donated goods may constitute a much smaller fraction of the costs of the providers in our survey.

included 158 centers). The choice between either of these estimates depends on the reason for using the estimate. Our estimates are probably better for assessing the costs of a general mix of child care, while the GAO estimate is appropriate for planning the costs of strictly high-quality care.

Our analysis is presented in three chapters. The second chapter describes the sample of providers in more detail, including the process whereby the sample was selected. The third chapter discusses the characteristics of these providers. The final chapter then reviews information on the fees and revenue sources of the providers. Appendix A presents details on the procedures used to select the providers included in this study.

2 The sample of child care providers

The child-care providers included in this study were chosen to represent the network of formal providers known to and used by the CBOs in their efforts to assist poor single mothers. In particular, we were interested in describing the characteristics and revenue structure of those providers in the four demonstration sites that (1) were able to provide enough hours of care to enable single mothers with young children to make a substantial commitment to an education and training program and ultimately to work, and (2) were in the network of providers to which women who were enrolled in the demonstration would be referred.

To develop our sample, we followed the path that a mother would take if she wished to obtain formal child care through the MFSP demonstration. To do so, we selected providers from referral lists maintained by the CBOs, or from lists maintained by community child-care licensing or referral agencies in those cases where the CBO relied on such organizations to refer participating single mothers to child-care providers. Choosing to rely on these lists means that we have excluded from our study the friends and family members who cared for the children of participating mothers. Furthermore, we have excluded part-day programs and those that served only school-age children, since our goal was to examine providers who would be able to help single mothers with young children pursue a program leading to full-time employment. (Again, details on the selection of providers are presented in Appendix A.)

Day care centers for the sample were chosen from lists of centers maintained by AUL, OIC, and WOW; at CET, the county maintained a directory of centers. Centers were chosen only if they provided full-time care to children younger than age six. In Providence and Washington, family providers were found through referral lists maintained by OIC and WOW; in Atlanta and San Jose, family providers were selected from lists maintained by local child-care referral agencies. All family day care providers identified were included in the sample universe as long as they were licensed and provided child care for pay to children younger than age 6.

Although providers were identified through the same channels used by program participants, the CET and AUL family provider samples may not be comparable to the OIC and WOW samples. The lists for Providence and Washington reflect the efforts of OIC and WOW to identify those providers that would be most suitable for the MFSP participants in terms of their accessibility and fees. While we

Table 2.1 The sample of providers (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Day Care Centers					
Number of known day care centers ^a	257	177	44	281	759
Number of centers in sample	24	26	25	26	101
Family Day Care					
Number of known family day care providers ^a	273	1,561	105	210	2,149
Number of providers in sample	13	12	13	12	50

^aBased on lists obtained from the CBOs and child-care referral agencies used by the CBOs.

screened the lists obtained for Atlanta and San Jose in a similar fashion, it would be impossible for us to replicate the screening undertaken by CBOs that were intimately familiar with their neighborhoods and the characteristics of their local child-care markets. Thus, cross-site differences observed in our data may reflect our selection process (and the referral-list development and screening efforts of the CBOs), as well as actual differences in the child-care markets of the sites.

As noted, this study excluded three types of providers. First, relatives or friends who provide child care in their own homes or in the homes of the children were excluded. While these providers are widely used by mothers, their arrangements are more informal, less permanent, and frequently unpaid. For these reasons, locating these providers is difficult, as is obtaining reliable survey data on them. More important, program operators have been reluctant to rely on these informal providers because the children of mothers enrolled in training cannot generally be referred to such providers, and, even if they can be, the quality of the care provided in such unregulated arrangements cannot readily be ascertained. Thus, mandatory education and training programs are unlikely to rely on such providers to provide formal care for the children of participating mothers.

Providers that offer only before- or after-school care were also excluded from this study. Again, these providers are more difficult to identify, since many of these programs are offered by more general-purpose organizations, such as YWCAs, Boys Clubs, or area schools. Furthermore, these programs serve primarily school-age children, while we were interested more in providers that served younger children.

Finally, residential providers and providers that predominantly serve handicapped children were excluded. Due to their organizational structure, the cost structures of these providers will differ substantially from those of general child-care providers. Such child-care providers would also be expected to play only a very small role in broadly defined education and training programs.

We selected a total of 151 providers from the four communities. While this number provides little statistical power for our analysis and little basis for testing for cross-site differences, we feel that it provides an adequate basis for describing the general nature of the formal child-care opportunities facing mothers who sought such care through the MFSP demonstration. In addition, our set of providers constitutes a nontrivial proportion of the total set of providers known to the CBOs and the referral agencies they used: we have included 13 percent of the centers in the CBOs' networks and 2 percent of the family day care providers in those networks.

As shown in Table 2.1, 101 of the 759 day care centers identified and 50 of the 2,159 family day care providers identified were surveyed across the four MFSP sites. Because site-specific numbers are based on very small sample sizes, all tables should be considered as merely suggestive of the differences that existed among the sites. Further, because our sample was divided evenly across sites, even though the size of the known universe differed greatly from site to site, this sample does not necessarily represent the overall universe of child-care providers that were available to the MFSP demonstration.

3 Child care availability and characteristics

In assessing the role of formal child-care providers in the MFSP demonstration, we considered the extent to which the providers could meet the child-care needs of single mothers who had young children and wanted to pursue the education, training, and employment opportunities offered by the demonstration. These child-care needs include the availability of care for a sufficient number of hours each day and days each week to enable the mothers to devote a substantial amount of their time to education, job search, and, ultimately, jobs. Also of concern is the availability of positions at the child-care providers—specifically, whether mothers who entered the MFSP program would be able to obtain child care without having to wait for a child-care position to open. Mothers and program operators are also concerned about the quality of child care, a multi-dimensional characteristic that reflects the size of the provider, the ratio of children to staff, the types of services provided, and the nature of those services.

Table 3.1 describes the size of the providers, the age ranges of children served, and the extent to which providers accepted children who do not speak English or who have special needs. The difference in the number of children served by day care centers and family day care providers is immediately obvious. The centers served an average of 69 children, while the family day care providers served an average of only 5 children.¹ This difference is consistent with the smaller and more informal nature of the family day care providers.

The ages of the children served also differs between day care centers and family day care providers. In general, family day care providers were more likely to serve younger children; then, as children reached preschool age, center care appears to have been the more prevalent choice. For example, only a third of the centers were caring for infants, while over half of the family day care providers were caring for infants. In contrast, most centers cared for school-age children, while relatively few family day care providers were providing such care.

Some providers of both types were caring for children who do not speak English (particularly in San Jose and Providence, which contain large non-English-speaking populations), although centers were more likely to have served such children. Children with special needs tended to be served primarily at centers, which probably reflects the larger scale and more formal nature of the centers.

¹ The presence of a few large centers tends to skew the distribution of center enrollments. However, the median enrollment for the centers is still an order of magnitude greater than the average enrollment for family day care providers.

Table 3.1 Service availability: the number and types of children served, by type of provider (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Number of Children Served by Provider:					
Day Care Centers					
Mean	54	69	79	75	69
Median	48	60	74	60	63
Family Day Care					
Mean	5	5	7	4	5
Median	6	5	6	4	5
Percentage of Providers Serving Children Ages:					
Day Care Centers					
Less than 1 year	67%	19%	24%	12%	20%
1 to under 3	92%	89%	32%	96%	77%
3 to under 5	100%	96%	96%	100%	98%
5 years and older	67%	73%	80%	54%	68%
Family Day Care					
Less than 1 year	62%	42%	54%	50%	52%
1 to under 3	92%	67%	92%	92%	86%
3 to under 5	54%	83%	85%	75%	74%
5 years and older	8%	25%	8%	0%	10%
Percentage of Providers Who Accept:					
Day Care Centers					
Children who do not speak English	54%	85%	88%	35%	65%
Children with special needs	33%	46%	64%	62%	51%
Family Day Care					
Children who do not speak English	8%	42%	46%	8%	26%
Children with special needs	8%	25%	0%	17%	12%
Sample Sizes					
Day Care Centers	24	26	25	26	101
Family Day Care	13	12	13	12	50

A critical issue in providing child care as part of an education and training program similar to those operated under the MFSP demonstration is whether the mothers are actually able to obtain positions for their children. Table 3.2 presents information which suggests that a shortage of available positions existed at day care centers. Only one center in the San Jose sample, and no centers in Providence or Washington, reported that space was available for more children at the time of the interview. Consistent with this lack of current positions, more than two-thirds of the day care centers in our sample at these three sites had turned away children in the last year due to an insufficient capacity.

Table 3.2 Service availability: capacity of providers to accept additional children, by type of provider (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Percentage of Providers Who Could Have Accepted Additional Full-time Children at the Time of the Interview					
Day Care Centers	38%	4%	0%	0%	10%
Family Day Care	39%	42%	62%	58%	50%
Percentage of Providers Who Have Turned Children Away in the Last Year Due to Insufficient Capacity					
Day Care Centers	21%	81%	72%	69%	61%
Family Day Care	62%	33%	39%	50%	46%
Sample Sizes					
Day Care Centers	24	26	25	26	101
Family Day Care	13	12	13	12	50

These figures indicate a potential problem for training programs that want to rely on day care centers to care for the children of participating mothers. Our data suggest that women in all sites except Atlanta would face delays in getting their children into a center. Hershey (1988) has pointed out that such delays may reduce the participation rate in education and training programs by posing an additional barrier for mothers before they can enter the program.

It is interesting to note that the situation appears to have been very different in Atlanta, where 38 percent of the day care centers could have accepted more children, and only 21 percent of the centers had turned children away.

In contrast to the day care centers, it appears that positions were available at licensed family day care providers. Overall, half of the family day care providers reported that they were able to accept an additional child, and less than half of these providers had turned children away due to an insufficient capacity.

Child-care barriers to participation in education and training programs can also arise if the care is unavailable for a sufficient number of weeks per year or hours per day, and if there is a lack of available positions. Table 3.3 indicates that, when positions were available, the providers in our sample would have been able to meet the child-care needs of mothers in terms of both weeks and hours of operation. Both day care centers and family day care providers were open for an average of 49 weeks per year, which generally would be adequate for mothers who have two weeks of vacation and holidays. Both types of providers were also open for a substantial number of hours per day—an average of 11 hours per day for centers, and 12 hours per day for family day care providers.

Overall, 60 percent of the providers in the sample were open from at least 7 AM to 6 PM, long enough to accommodate most working days. In addition, a substantial number of centers provided before- or after-school care.¹ Such care could have been important to mothers who had both school-age children and younger children who needed full-day care.

Finding care for a sick child poses another barrier for single mothers. As shown in Table 3.3, very few of the sampled centers were willing to accept sick children (14 percent across all centers). In contrast, nearly half of the family day care providers accepted sick children, perhaps because they were better able to isolate these children, or because they faced less restrictive health regulations.

To provide further perspective on the provider characteristics often associated with quality child care for single working mothers, Table 3.4 describes some of the services available at our sample of providers. The number of providers that offered bilingual staff and isolation space for sick children are consistent with the numbers that accepted these two types of children: day care centers were more likely to have bilingual staff (particularly those in San Jose and Providence), and family day care providers were more likely to have isolation space. Staff who were trained to assist special-needs children were generally found only at day care centers, but at only 25 percent of those centers.

¹ In Providence, only one of the centers was open from 7 AM to 6 PM, and fewer of the centers in the Providence sample provided before- or after-school care. It is unclear whether this difference in characteristics reflects true cross-site differences or the luck of the draw in our sampling of centers.

Table 3.3 Service availability: the weeks and hours of operation, by type of provider (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Mean Weeks Open per Year					
Day Care Centers	49	49	48	49	49
Family Day Care	50	49	49	49	49
Percentage Open at Least 50 weeks					
Day Care Centers	71%	46%	44%	89%	62%
Family Day Care	62%	42%	39%	25%	42%
Mean Hours per Day in Operation					
Day Care Centers	12	11	10	11	11
Family Day Care	14	11	12	12	12
Percentage Open at Least from 7 AM to 6 PM					
Day Care Centers	75%	73%	4%	89%	60%
Family Day Care	77%	42%	31%	83%	58%
Percentage with a Before-School Program					
Day Care Centers	42	54	8	42	37
Family Day Care	na	na	na	na	na
Percentage with an After-School Program					
Day Care Centers	79	54	32	42	52
Family Day Care	na	na	na	na	na
Percentage That Can Accommodate a Sick Child					
Day Care Centers	13%	0%	28%	15%	14%
Family Day Care	31%	58%	62%	33%	46%
Sample Sizes					
Day Care Centers	24	26	25	26	101
Family Day Care	13	12	13	12	50

na: not asked in the interview of family day care providers.

Table 3.4 Characteristics of care available, by type of provider (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Child-Staff Ratio					
Day Care Centers	9.6	8.7	8.7	7.6	8.6
Family Day Care	3.2	3.8	4.7	3.1	3.7
Child Care Services					
Percentage of Day Care Centers that Offer:					
Transportation	63%	0%	0%	31%	23%
Bilingual staff	13%	65%	64%	31%	44%
Isolation space for sick children	13%	0%	24%	15%	13%
Trained staff to assist special-needs children	17%	27%	24%	31%	25%
Meals	100%	89%	76%	85%	87%
Formal education or development activities	100%	89%	55%	77%	79%
Percentage of Family Day Care Providers that Offer:					
Transportation	8%	17%	8%	0%	8%
Bilingual staff	0%	8%	8%	0%	4%
Isolation space for sick children	15%	58%	62%	33%	42%
Trained staff to assist special-needs children	0%	8%	0%	0%	2%
Meals	100%	100%	75%	100%	94%
Formal education or development activities	46%	33%	8%	17%	26%
Sample Sizes					
Day Care Centers	24	26	25	26	101
Family Day Care	13	12	13	12	50

It is interesting to note that more family providers reported accepting children who do not speak English and those with special needs than reported having the special staff to care for them. It is likely that the reported willingness to accept these children would depend on the severity of their special needs or their ability to communicate with staff.

Table 3.4 also provides information to draw inferences about the quality of child-care services. While no clear standards for quality day care exist, the Federal Interagency Day Care (FIDC) requirements were proposed (but never adopted) as national standards for adequate day care. Among other requirements, these standards mandate that children in care receive adequate and nutritious meals, and that providers offer developmental programs (Scarr, 1984). Almost all providers served meals to their children (87 percent of the day care centers and 94 percent of the family providers). On the other hand, while most (79 percent) of the day care centers provided formal educational activities, only one-quarter of the family providers offered developmental programs.

The FIDC requirements also propose maximum child-to-staff ratios as another element of quality child care. For home providers, the FIDC requirements set a child-to-staff ratio of 5:1 for infants and 6:1 for preschoolers. The average child-to-staff ratios in our family provider sample were well within both of these standards.

The child-to-staff ratios proposed by the FIDC requirements for day care centers differ by age groups, while our data permitted us to calculate child-to-staff ratios only for the entire center. As a benchmark, the child-to-staff ratio for all children in the sample of day care centers averaged 8 to 1. This ratio is just above the FIDC standard of 8 to 1 for children ages 3 to 6 (the main group served by our sample of centers). This ratio is twice the 4 to 1 ratio prescribed for children under 3 years old. However, the day care centers in our sample were subject to state and local licensing requirements for child-to-staff ratios, which may differ from those suggested by the Federal Interagency Group.

As noted in Chapter 2, the small size of our sample and the descriptive nature of our analysis make it difficult to draw inferences about cross-site differences. Nevertheless, it appears that the market for child care in Atlanta differed from those in the other three sites. This difference manifests itself along a number of dimensions and is consistent with statements from AUL staff that a high level of competition existed among day care centers in Atlanta. Our sample in Atlanta contained a greater number of day care centers that had available space, had low enrollments, served young children, had high child-to-staff ratios, and provided transportation services than in any of the samples of centers in the other three sites. As reported in the next chapter, these differences appear to be reflected in the relative fees and average revenue levels of the sites.

4 Fees and revenues

Having seen that the providers in our sample could meet the child-care needs of single mothers who wanted to pursue education, training, and employment (although the availability of space at centers might have imposed some delays in obtaining care), it is essential that we assess the costs of that care. In particular, we are interested in the fees charged by the providers, the extent to which discounts from those fees are offered, and the sources of funding for the providers—specifically, the extent to which providers rely on revenue from sources other than parental fees. This information will be used in the MFSP demonstration evaluation to assess the affordability and costs of formal child care.

The analysis of revenue sources is particularly important for the benefit-cost analysis, which will assess, from several perspectives, whether the impacts generated by the MFSP demonstration are sufficiently large to justify the costs of offering the services. Child-care costs will be important in this benefit-cost assessment, particularly from the perspectives of the single mothers and the program funders. The impact analysis will estimate the child-care expenditures of the single mothers based on information collected in follow-up interviews. However, because child-care providers obtain revenue from sources other than parental fees, the expenditures of the mothers will understate the overall costs of the child-care services. Thus, it is essential to understand the extent to which other funders supported the child-care providers, so as to assess the overall cost implications of changes in the use of child care.

The starting point of this analysis is the basic child-care fee charged by individual providers. For child care to be truly available to mothers in the MFSP demonstration, it must be affordable, either through low basic fees or through the availability of subsidies. Table 4.1 shows the basic weekly fees of the providers in our sample. Fees for children 3 and 4 years of age averaged \$57 per week for full-time care, regardless of the type of provider. Average fees were higher for younger children, who require closer supervision and, thus, a lower child to staff ratio. Family day care providers charged slightly less than centers to care for these younger children (\$60 per week in family care versus \$65 per week in center care). The average fee for after-school programs in day care centers was \$34 per week, which reflects the shorter days of these programs and their generally higher child to staff ratios.

Table 4.1 Basic child care fees, by type of provider (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Basic Weekly Fee for Full-Time Care					
Day Care Centers					
Children 3 to 5	\$37	\$71	\$59	\$58	\$57
Children under 3	\$43	\$73	\$97	\$68	\$65
After-school care	\$26	\$50	\$30	\$33	\$34
Family Day Care					
Children 3 to 5	\$49	\$80	\$50	\$50	\$57
Children under 3	\$52	\$82	\$54	\$56	\$60
After-school care	na	na	na	na	na
Percentage of Day Care Centers Offering:					
Discounts from the basic fee	75%	81%	88%	62%	76%
Discounts to at least 25% of the children	17%	58%	48%	42%	42%
Some free care	0%	39%	0%	12%	13%
Percentage of Family Day Care Providers Offering:					
Discounts from the basic fee	77%	67%	54%	33%	58%
Discounts to at least 25% of the children	69%	67%	46%	33%	54%
Some free care	na	na	na	na	na
Sample Sizes					
Day Care Centers	24	26	25	26	101
Family Day Care	13	12	13	12	50

na: Data on after-school care and free care were not collected from family day care providers.

These average fees mask a considerable amount of variation in the actual fees charged by providers. Table 4.2 shows that weekly fees ranged from no charge (at a center operated under the Head Start Program) to well over \$100 per week. In addition, Table 4.1 shows that the majority of the providers in our sample offered discounts from their basic fee, and many provided discounts to 25 percent or more of the children. In addition, a number of the day care centers offered free care. Day care centers were generally more likely to provide fee discounts than were family day care providers, probably because of the more formal structure of centers.

While information on providers' fees is important for assessing the suitability of available child care for single mothers who are entering the labor force, information on the total costs of child-care services is necessary for program planning purposes and for an analysis of the impacts of the MFSP demonstration. The observed availability of discounts implies that fees do not represent the full costs of care for some parents. Children whose parents pay less than full cost may be subsidized

Table 4.2 Range of basic fees, by type of provider (fall 1987)

	Day Care Centers (All sites)	Family Day Care (All sites)
Basic Weekly Fee for Full-Time Care for Children Ages 3 to 5		
Mean	\$57	\$57
Percent within +/- \$10 of mean	31%	35%
Minimum	\$0	\$14
25th percentile	\$37	\$43
Median	\$60	\$53
75th percentile	\$73	\$66
Maximum	\$120	\$100
Basic Weekly Fee for Full-Time Care for Children Under 3		
Mean	\$65	\$60
Percent within +/- \$10 of mean	26%	56%
Minimum	\$1	\$14
25th percentile	\$42	\$45
Median	\$65	\$60
75th percentile	\$90	\$70
Maximum	\$150	\$100

indirectly by the fees paid by the parents of other children cared for by the provider or may be subsidized directly by the providers or by other agencies that support the providers. A full assessment of the costs of the MFSP demonstration or of other education and training programs for parents must examine these subsidies and the impacts of the training program on those who provide them—in particular, whether the full-scale implementation of an MFSP-type program would increase the aggregate demand for child care and correspondingly strain the budgets of subsidizing agencies that tried to keep pace with the growth in demand.

Our approach to this issue was to ask the providers in our sample about their total revenue and revenue sources. This approach was adopted in favor of one that asked directly about costs, because we felt that small providers would be reluctant to provide information that would directly reveal the salaries of their staff. In addition, our interest in the relationship between parental fees and overall costs can be addressed more directly by using revenue data under the assumption that total revenue and costs are equal. Finally, most centers had only a few revenue sources but many cost categories. Thus, the focus on revenue reduced the reporting burden of providers in the survey.

It should be noted that the assumption that total revenue and total costs are equal is only an approximation. The fact that many child-care providers go out of business indicates that many providers may be unable to cover their costs. Nevertheless, the total revenue estimates provide a starting point for the analysis and appear to be a lower bound on the costs incurred by child-care providers.

The major limitation of our revenue estimates is that they exclude the costs of labor, space, and materials donated to the providers. Table 4.3 provides an overview of these donated resources for centers. While all the centers received donations of some kind, it is our feeling that these donations were relatively inconsequential for the general analysis. For example, while the majority of centers received some volunteer labor, the value of this labor was minor relative to cash receipts; we estimate that the value of this volunteer labor would constitute less than 3 percent of cash receipts. Therefore, cash receipts should provide an accurate basis for assessing total revenue and cost.

Table 4.4 presents the revenue information for the providers in our sample. The figures on revenue sources indicate that day care centers received a substantial amount of their funding from sources other than parental fees. Overall, centers

Table 4.3 Sources of revenue for sampled day care centers (fall 1987)

	AUL	CET	OIC	WOW	All Sites
Percentage of Centers Receiving Donated Goods or Services					
Classroom volunteers	38	35	64	69	52
Free labor	8	27	32	19	22
Donated space	17	19	4	31	18
Donated or surplus food	13	65	42	44	42
Free transportation	4	19	16	12	13
Free administrative services	8	8	16	27	15
At least 25% of supplies/equipment free	17	8	4	12	10
Free maintenance services	8	4	8	19	8
Average Revenues					
Estimated annual cash receipts	\$68,000	\$252,000	\$234,000	\$263,000	\$210,000
Value of average amount of volunteer classroom labor (per year) ^a	\$1,700	\$4,700	\$6,800	\$6,200	\$4,900
Sample Sizes	24	26	25	26	101

^a Calculated as the reported hours of volunteer labor per week times the number of weeks open per year times the average hourly compensation for child-care workers (\$7.20 per hour including Social Security and Unemployment Insurance taxes.)

Table 4.4 Revenue characteristics, by type of provider (fall 1987)

	Atlanta	San Jose	Providence	Washington	All Sites
Revenue Characteristics of Day Care Centers^a					
Percentage that are:					
Non-profit	38	65	81	36	60
For-profit	54	26	5	0	21
Government-sponsored	0	9	0	9	4
Church-sponsored	8	0	14	55	15
Percentage of total revenue that comes from^a:					
Parents	90	48	52	33	58
Government	10	44	29	56	32
Other	1	9	19	11	10
Mean revenue per child-week	\$33	\$67	\$69	\$86	\$65
Revenue Characteristics of Family Day Care Providers					
Percentage of total revenue that comes from:					
Parents	100	91	80	97	92
Government	0	9	20	3	8
Other	na	na	na	na	na
Mean revenue per child-week	\$50	\$91	\$63	\$62	\$66
Sample Sizes					
Day Care Centers	13	22	21	11	68
Family Day Care	13	12	13	12	50

^aAs the sample size numbers show, the response rate on revenue information was very low in two sites. In addition, one extreme outlier was excluded in San Jose, where it would have increased the mean to \$103.

received just over 40 percent of their revenue from government and other sources, although the proportion varied considerably across sites, with centers in the Atlanta sample receiving 90 percent of their revenue from parents, and centers in the Washington sample receiving only a third of their revenue from parents.¹ In contrast, the family day care providers obtained virtually all of their revenue from parents, which reflects their more informal nature and the funding policies of local funding agencies. Thus, parental expenditures for center-based care will understate the overall costs for that care, while parental expenditures for family day care appear to reflect overall costs more accurately.

¹ Approximately half of the centers in the Atlanta and Washington samples did not provide usable revenue information. The fees charged by these centers did not differ on average from the fees charged by the centers that did provide full revenue information in the survey. Thus, it appears that the missing data do not materially affect the results, although the site-specific estimates should be given much less credence than the overall estimate for all the sites.

As with our discussion on the characteristics of providers, the sample sizes do not permit drawing quantitative comparisons among sites. However, Atlanta again appears to differ consistently from the other three sites in terms of several variables. Average provider fees in Atlanta were lower than at the other sites, and Atlanta providers obtained more of their funding from parents. The larger proportion of revenue derived from sources other than parents in the other three sites is consistent with the fact that these sites had more non-profit and church-sponsored centers.

Table 4.4 also presents information on the average revenue per child-week for the providers in our sample. Average revenue was estimated by dividing the reported annual revenue for the provider by the estimated annual number of child-weeks.¹ For both types of providers in our sample, the average revenue per child-week was approximately \$65, which comes fairly close to the average fees of \$57 to \$65 per week before discounts.

These revenue and fee estimates suggest that a single mother with two children could spend approximately \$500 per month for formal child care, if she purchased care at the observed average rate of \$57 per child-week. Such an expenditure would constitute almost the entire earnings of a person who worked full time at the minimum wage. Fortunately, the MFSP program sought to place participants in jobs that paid wages well in excess of the minimum, and it appears that many child-care providers offered discounts to their fees (and a few centers even provided care free of charge for some children). In addition, the basic fees of a substantial number of the providers were less than the average, so that the mothers could have found less expensive care if they were willing and able to shop around for a provider. The mothers also had the option of using informal care provided by relatives and friends. A more detailed analysis of the use and costs of child care for the single mothers will be undertaken when follow-up data become available.

The analysis of revenue sources suggests that the expenditures reported by mothers who would use centers similar to those included in our sample would have to increase by a factor of 1.7 to capture the total costs of the child care. This factor suggests that program planners who want to provide center-based child care as part of an education, training, or employment program should not rely solely on the expenditure reports of parents to estimate the costs of the care, particularly in markets that consist of numerous nonprofit, church-sponsored, or government-operated providers.

¹Child-weeks were calculated as the number of children who were attending the center at the time of the interview multiplied by the number of weeks that the center is open per year. We also added in the estimated number of child-weeks for any special summer programs offered by the provider. In calculating the number of children, we estimated the full-time equivalent for children who attended part-time programs.

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Appendix A

Background information about sample selection

The sample was selected from lists obtained from the four CBOs and from child-care referral agencies that served the four demonstration communities. Because we were interested in providers who could provide sufficient care to meet the needs of single mothers who were working and who had young children, we further restricted the sample of child-care centers to include only those who:

- *served children under 6 years old*
- *were open at least five hours a day*
- *were open at least nine months a year*
- *served a group of children at least half of whom were nonhandicapped*
- *were nonresidential*

These criteria also had the advantage of being consistent with those used in the earlier study of child-care providers conducted by Coelen, Glantz, and Calore (1979).

We were less restrictive about the family day care providers and included in the sample universe all providers whose names were on the list and who provided child care for pay to children under 6.

The specific sample selection procedures used in the four sites differed slightly, reflecting cross-site variation in the nature and availability of lists of child-care providers. The specific sample selection procedures followed in each site and any problems that arose are discussed separately for each of the four sites. Tables A.1 and A.2 summarize the relevant sample and eligibility information for day care centers and family day care providers. Tables A.3 and A.4 provide information about survey completion rates.

Atlanta, Georgia (AUL)

AUL provided us with a list of 47 day care centers utilized by program participants. From these a sample of 30 was selected randomly for the survey, only one of which proved to be ineligible because the center was being reorganized and was not yet reopened.

The sample of family day care providers was selected from a list of licensed providers obtained from the Day Care Licensing Division of the Georgia Department of Human Resources. The list, which was for Fulton County (the county which

includes Atlanta), contained the names, addresses, registration numbers, and license expiration dates of providers. The majority of providers on the list, however, were holding expired licenses (unless the dates on the list were not updated to reflect license renewals). From the list, we selected 18 providers whose licenses had not expired. Four of these providers proved to have disconnected telephones, and so four additional cases were added to the sample as replacements. Three of the providers that were contacted no longer provided child care. Thus, the final sample of family day care providers included 15 providers.

San Jose, California (CET)

CET in San Jose did not maintain a list of either day care centers or family providers used by program participants. The sample of 32 day care centers was selected from the 1985-86 edition of *Child Care Directory of Santa Clara County* published by the Community Coordinated Child Development Council of Santa Clara County, Inc. (4 C's). This agency was the main referral agency used by CET when women wanted child care other than care from the Montessori center operated by CET (see Hershey, 1988). Day care centers were selected in the three communities where demonstration participants were enrolled during program year 4: San Jose, Gilroy, and Watsonville. In selecting centers from the list, we included only those that had full-time programs, charged sliding scales or fees of less than \$200 per month, and accepted children younger than age 6. Of the centers selected, three were no longer in business, and one was open only three and a half hours a day.

Family providers were obtained from two sources. The Whisman Children's Center in Mountain View maintains a referral service, and provided us with the names of five providers, three of which were selected randomly for the sample. The County of Santa Clara Department of Social Services was contacted for additional listings. It was willing to select the sample for us, randomly selecting 30 providers from its list of approximately 2,000 registered providers. While willing to send us names and telephone numbers, it was prevented by state regulations from releasing addresses. We selected 16 providers from the list and informed them of our selection, and they sent the advance material for us. Four of the providers were not located and two were found to be ineligible (one no longer provided day care, and the other did not take care of children younger than age 6).

Providence, Rhode Island (OIC)

OIC staff provided us with a list of 27 day care centers used by program participants. Eight of these day care centers proved to be ineligible: one center appeared twice in the sample under two names, and the other seven did not provide care to children younger than age 6 and were not open for the required five hours a day. To adjust for the reduced number of eligible cases, we contacted the Department of Children and Their Families in Providence and requested that ten centers be selected randomly in Providence and Pawtucket. This request was complied with immediately,

and the names, addresses, and telephone numbers of the selected centers were provided over the telephone.

The staff at OIC also provided a list of 22 licensed family day care providers who were used by demonstration participants. We drew a random sample of 17 providers from this list for the survey. Two of these selected providers no longer cared for children, and one provider could not be located. Thus, the final sample included 14 family day care providers.

Washington, D.C. (WOW)

Staff at WOW provided us with a list of 19 day care centers. This list included four umbrella organizations (D.C. Department of Recreation, D.C. City Wide Welfare Center, Head Start Centers, and Parent and Child Centers, Inc.) that did not directly provide day care. The Department of Consumer and Regulatory Affairs (DCRA), Service Facility Regulation Administration of the Government of the District of Columbia, provided us with a list of child development centers dated April 1987. Randomly selected centers were chosen from this list to represent the district in the same proportion as those on the WOW list. One center could not be located, and one center was no longer providing child care.

WOW staff also provided a list of 15 family day care providers. This list also contained four umbrella agencies (Family and Child Services of Washington, D.C. Department of Human Services, Alexandria City Department of Social Services, and P.G. County Department of Social Services). While Alexandria and Prince Georges County refused to provide us with lists of family providers, DCRA sent us its May 1987 list of licensed child development homes. Using the same procedure used with centers, we supplemented the WOW lists. Three family providers were unlocatable, four no longer cared for children, and one family provider cared for children only after school.

Table A.1 Sample of day care centers

	Initial Sample	New Sample	Ineligible	Couldn't Locate	Final Sample
Atlanta	30	0	1	1	28
San Jose	32	0	1	3	28
Providence	27	9	9	1	26
Washington, D.C.	30	0	1	1	28
Totals	119	9	12	6	110

Table A.2 Sample of family providers

	Initial Sample	New Sample	Ineligible	Couldn't Locate	Final Sample
Atlanta	18	4	3	4	15
San Jose	19	0	2	4	13
Providence	17	0	2	1	14
Washington, D.C.	20	4	5	3	16
Totals	74	8	12	12	58

Table A.3 Interview response for day care centers

	Eligible Sample	Complete	Refusal	Partial	Completion Rate
Atlanta	28	24	3	1	86%
Providence	26	25	1	0	93%
San Jose	28	26	2	0	93%
Washington, D.C.	28	26	1	1	93%
Totals	110	101	7	2	92%

Table A.4 Interview response for family providers

	Eligible Sample	Complete	Refusal	Partial	Completion Rate
Atlanta	15	13	1	1	87%
Providence	14	13	1	0	93%
San Jose	13	12	1	0	92%
Washington, D.C.	16	12	2	2	75%
Totals	58	50	5	3	86%



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